

WASHINGTON, DC—Since enactment of the American Recovery and Reinvestment Act (the “stimulus bill”), supported by Congressman Joe Sestak (PA-07), American workers have seen increases in their paychecks reflecting the new Making Work Pay tax credit and the Administration’s commitment to the middle class. IRS guidance asks that by April 1, 2009, employers must have instituted the lower withholdings for their employees. No action is required by workers to receive to the tax break.

The United States faces the most severe economic and financial crisis in generations. Much of the hardship has fallen principally on average, middle-class Americans. To help middle-class families get back on their feet and restore some fairness to the tax code, President Obama in February signed one of his signature issues into law—the Making Work Pay tax credit.

“Families across the country are seeing more money in their paychecks through one of the fastest and broadest tax cuts in American history,” said Congressman Sestak. “I strongly supported this credit because it puts money directly back into the pockets of working Americans.”

The Making Work Pay tax credit is the tax reduction centerpiece of the Recovery Act. The credit provides 95% of working families—including more than 110 million families nationwide and 4.8 million in Pennsylvania—the tax relief they need right now.

Restoring Fairness to the Tax Code and Providing Tax Relief to Working Americans. The Making Work Pay Tax Credit aims to help middle class families who are being squeezed by rising costs and stagnating wages.

For 2009 and 2010, the “Making Work Pay” tax credit provides a refundable tax credit of 6.2 percent of earned income up to \$400 for working individuals and \$800 for married taxpayers. Families should see at least a \$65 dollar per month increase in their take home pay.

The credit will phase out for taxpayers with adjusted gross income in excess of \$150,000 for married couples filing jointly and \$75,000 for other workers, and thus is fully phased out for taxpayers with modified adjusted gross income in excess of \$190,000 for married workers and \$95,000 for other workers.

Getting Needed Cash to Working Families. In an effort to get much needed cash to hard working Americans as quickly as possible, in late February the President announced the IRS would issue a new set of withholding tables structured to get the tax credit to Americas’ workers in cash over the course of the year. By reducing required withholding amounts, workers’ take home pay is increased immediately.

*Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of “Deep Blue,” the Navy’s anti-terrorism unit that established strategic and operations policies for the “Global War on Terrorism.” He served as President Clinton’s Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the U.S. Congress.*

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